

Service Date: December 14, 1979

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER of the Application)	
of MOUNTAIN STATES TELEPHONE AND)	
TELEGRAPH COMPANY, For Authority)	DOCKET NO. 6652
To Establish Increased Rates For)	ORDER NO. 4585
Telephone Service.)	

ERRATA

Page 5, paragraph 17, line 9, "percent of the 1 FR
rate should read "percent of the 1 FB rate".

Service Date: December 10, 1979

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER of the Application of)	
MOUNTAIN STATES TELEPHONE AND)	DOCKET NO. 6652
TELEGRAPH COMPANY, for authority)	
To establish increased rates for tele-)	ORDER NO. 4585
phone service.)	

On February 5, 1979, Mountain States Telephone and Telegraph Company (Mountain Bell or Applicant) applied to the Commission for authority to establish increased rates for telephone service. The Tariffs filed with the application would increase billings to Mountain Bell customers by \$16.58 million over those of the test year.

2. Mountain Bell requested immediate implementation of Interim rate relief in the amount of \$1,802,131 on October 17, 1979. The amount of the request was based on the testimony of Consumer Counsel Witnesses, particularly George F. Hess, who determined a revenue deficiency of \$1,803,000. Proposed to receive rate increases were the centrex and local exchange service categories.

3. At its agenda meeting on October 22, 1979, the Commission voted to defer action on Mountain Bell's interim application until the hearing on permanent relief, scheduled to begin November 6th.

4. During the course of the November hearing, Mr. Hess modified his calculations, resulting in the determination of a revenue deficiency of \$4,629,000. The increase in required revenues was due to depreciation re-prescription and non-management wage changes.

5. On November 21, 1979, Mountain Bell submitted its Supplemental and Second Amended Application for Interim Rate Increase which requested authority to increase its revenues by \$4,352,353. To realize this increase, the Company proposed to change rates for Trim Line, Touch Tone, message toll, wide area telephone, centrex and local exchange services.

6. The Consumer Counsel filed his Response to Supplemental and Second Amended Application for Interim Rate Increase of Mountain Bell on November 28, 1979. In his response, the Consumer Counsel supported increases in the rates for Trim Line, Touch Tone, message toll, wide area telephone, supplemental and miscellaneous equipment, emergency telephone, private line and centrex services; he also recommended that disaggregation be implemented at this time.

7. On November 29, 1979, Telephone Answering Services of the Mountain States, Inc., an intervenor in this Docket, urged the Commission not to adopt any changes in the charges for private line services which would affect its member firms. The association alleged that "severe consequences" would result from the proposed increases in that area, making the changes unsuitable as the subject of interim action.

8. The Commission views the granting of interim relief as a discretionary action. That is, acknowledgement of a

revenue deficiency by intervenors in a general rate case does not entitle the Applicant to interim relief in that amount. In the instant proceeding, Mountain Bell has demonstrated the existence of a deficiency in revenues which Consumer Counsel witnesses found to total \$4.629 million. No party to the proceedings determined a smaller deficiency.

9. Without disputing, at this time, the testimonies of Hess and Dr. Caroline M. Smith, the Commission finds that Mountain Bell should be granted interim relief in an amount less than the revenue deficiency conceded by the Consumer Counsel and less than the amount requested by the Applicant in its Supplemental and Second Amended Application for Interim Rate Increase. The Commission chooses this course of action because it believes rate increases should be limited to the service categories where the need for higher revenues was undisputed and the increases in individual rates should not exceed those noticed to the public for the permanent rate application.

10. For the most part, the Commission agrees with the service categories proposed by Consumer Counsel for rate increases. The exceptions are private line and centrex access services. Rates for private line services do not satisfy the criteria of being uncontested because they were questioned by the telephone answering services. Thus they are not a suitable means of granting interim relief. The need for an increased revenue contribution from centrex was not disputed. However, the Consumer Counsel himself alleged that revenues from local exchange service were more than sufficient to cover the associated costs. Consequently, an

increase in rates for centrex access appears unwarranted at this time.

11. Trim Line and Touch Tone charges should be increased to generate \$615,122 of additional yearly revenue. The aggregate effect results from increasing individual rates in these categories to the levels proposed by Mountain Bell in its Supplemental and Second Amended Application for Interim Rate Increase.

12. During the course of the November hearings, Mountain Bell and Richard Gabel, witness for the Consumer Counsel, agreed to a revised message toll schedule which incorporates a one-minute initial period charge for station dial calls, off-peak discounts generally conforming to those of the interstate schedule and additional minute charges which approximate one half the initial period charge for station dial calls. Since both the company and the Consumer Counsel recognized the need for increased toll revenues and agreed to a schedule, adoption of that schedule is found to be reasonable means of implementing interim relief. In so doing, revenue to Mountain Bell is increased by \$1,414,601.

13. Wide area telephone service (WATS) is a service option competitive with direct dial message toll. Because message toll rates were adjusted by the previous Finding, an increase in WATS charges as proposed by Mountain Bell in its Supplemental and Second Amended Application is approved. The aggregate revenue effect is \$77,980.

14. Both Mountain Bell and the Consumer Counsel recommend that rates for miscellaneous and supplemental equipment be raised to generate \$569,554 of additional

revenue. Since the proposed increases were uncontested by other parties, they are hereby approved on an interim basis.

15. In response to the recognized need to increase centrex revenues, the Commission authorizes Mountain Bell to raise centrex non-access charges to the levels suggested by the Company in its permanent and interim rate applications. Additional revenues generated a total of \$294,510 for the test year.

16. In his response to Mountain Bell's second amended application for interim relief, the Consumer Counsel recommended charges for emergency reporting telephone systems be raised to yield \$82,000 more of revenue than for the test year. Increased rates for emergency reporting telephone systems, service observing equipment and private line terminal and channel equipment, as proposed by Mountain Bell, would produce \$39,615 of additional revenue. None of the parties to this Docket protested an increase of this magnitude. Consequently, the rates proposed by Mountain Bell shall be established in the interim preceding a final order.

17. The Commission is cognizant of Consumer Counsel's allegation that no increase in rates for the local exchange service category can be cost justified. Nonetheless, an inequity in that schedule needs rectification at this time. Subscribers to semi-public PEX measured trunks are currently not charged for that service. Mountain Bell proposed that a charge equal to 60 percent of the one-party flat business rate be instituted. To eliminate provision of a service at no charge to the customer, the Commission finds that rates for semi-public PBX measured trunks should be established at 60

percent of the 1 FR rate in each exchange. Doing so will increase Mountain Bell's revenues by \$192,498.

18. The amount of inter interim rate relief granted Mountain Bell by this Order totals \$3,203,880. Determined as follows:

Trim Line and Touch Tone	\$ 615,122
Message Toll Service	1,414,601
Wide Area Telephone Service	77,980
Miscellaneous and Supplemental Equipment	569,554
Centrex - Non-Access	294,520
Emergency Reporting Telephone Systems	
Service Observing Equipment and	
Private Line Terminal and Channel	
Equipment	39,615
Semi-public OBX Measured Trunks	<u>192,498</u>
TOTAL	\$3,203,880

This total represents the amount by which Mountain Bell is authorized to increase billings to its customers. Because of settlements to independent companies, the additional revenues accruing to the Company as a result of this Order will be less than \$3,203,880.

CONCLUSION'S OF LAW

1. The Mountain States Telephone and Telegraph Company is a public utility furnishing telecommunication services to consumers in the state of Montana. The Company's rates and conditions of service are subject to the regulatory jurisdiction of this Commission.

2. Section 69-3-304 provides, in part, "The Commission may, in its discretion, temporarily approve increases pending a hearing or final decision. "

3. The rate levels and structure approved herein are a reasonable means of providing interim relief to Mountain Bell. The rebate provisions of 69-3-304 protect ratepayers in the event that any charges authorized by this Order are ultimately found unreasonable.

ORDER

THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. Mountain Bell may institute the temporary rate changes authorized by the preceding Findings of Fact. These interim rates shall become effective upon their approval by the Commission.

2. The increase granted is subject to rebate should the final Order in this Docket determine that a lesser increase is warranted.

DONE IN OPEN SESSION this 10th day of December, 1979, by
a vote of 5-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

Gordon E. Bollinger, Chairman

Clyde Jarvis, Commissioner

Thomas J. Schneider, Commissioner

James R. Shea, Commissioner

George Turman, Commissioner

ATTEST:

Madeline L. Cottrill
Secretary

(SEAL)

NOTE: You are entitled to judicial review of this
 Order pursuant to Section 2-4-701, MCA.